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**VirtualInternet.net - Proposed Placing, etc.**

REGULATORY NEWS SERVICE

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Not for distribution outside the United Kingdom. Neither this document nor any copy of it may be taken, transmitted or distributed, directly or indirectly in or into the United States, Canada, Australia or Japan. VirtualInternet.net plc Proposed placing and move to the Official List \* Placing of approximately #33 million of ordinary shares in Virtual Internet with institutional investors, raising approximately #27 million for the Company and approximately #6 million for existing shareholders. \* Price to be determined via an institutional bookbuilding exercise. \* Hoare Govett Limited acting as sole book runner, broker and financial adviser. Book opens at 8.00am today. Price of ordinary shares to be determined following closing at 4:30pm on Monday, 20 March 2000. \* Proposed admission of ordinary shares to the Official List. \* Placing is conditional upon, inter alia, the approval of Virtual Internet shareholders. Jason Drummond commenting said "We have already accomplished significant growth in the business over the last year, expanding our range of Internet services to business users and the international presence of the Group. The new funds will be used as part of our investment programme going forward in order to meet our objective to become a dominant provider of retail and wholesale domain-based services to businesses in Europe and Internet brand and trade mark protection services globally. "Virtual Internet has built a strong operational management team and we have a very capable and experienced board to take the business forward. Virtual Internet is well placed to benefit from the increasing demand from businesses for Internet services."

**Enquiries:**

VirtualInternet.net plc Monday, 13 March Tel: 0207 929 5599 Jason Drummond, Chief Executive Thereafter: Tel: 0207 460 4060

Hoare Govett Limited Tel: 0207 678 8000 Mark Ashurst, Director - Corporate Advisory Silvio Tavares, Director - Corporate Broking

Holborn Public Relations Tel: 0207 929 5599 David Bick John Bick

Virtual Internet is a leading European domain-based Internet services company offering solutions that enable businesses to communicate, sell products and protect their brands and trade marks on the Internet. The Group provides Internet domain name registration, e-mail, website hosting and electronic commerce services that enable business to be undertaken on-line. In addition, the Group provides Internet brand and trade mark protection services to monitor the use and abuse of customers' brands and trade marks on-line.

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VirtualInternet.net plc Proposed placing and move to the Official List  
**Introduction**

The board of directors of VirtualInternet.net plc ("Virtual Internet" or the "Company") announces that it intends to place approximately #33 million of ordinary shares in the Company with institutional investors (the "Placing"), of which approximately #27million is expected to be raised on behalf of the Company. The Placing will be undertaken, on a non pre-emptive basis, by Hoare Govett Limited by way of an institutional bookbuilding exercise. Hoare Govett Limited is the sole book runner to the Placing and will open its book at 8:00am today. It is intended that the price at which the shares will be sold in the Placing will be determined following closing of the bookbuilding exercise, which is expected to take

place at 4:30pm on 20 March 2000.

At the same time, the Company proposes to apply for its share capital to be admitted to the Official List. The Company's warrants will remain quoted on AIM.

It is expected that the Placing will be fully underwritten by Hoare Govett Limited following the bookbuilding process and will be conditional upon, inter alia, the admission of the ordinary share capital to the Official List, the approval of Virtual Internet's shareholders in general meeting and the agreement relating to the Placing between, amongst others, the Company and Hoare Govett becoming unconditional in all respects and not having been terminated in accordance with its terms. It is intended that irrevocable undertakings to vote in favour of the resolutions to be proposed at an Extraordinary General Meeting of the Company will be obtained from the Company's directors amounting to in excess of 50 per cent of the Company's issued share capital. Full details will be contained in a shareholder circular (the "Circular") to be sent to all Virtual Internet shareholders, warrant holders and places following the announcement of the Placing price.

Virtual Internet is a leading European domain-based Internet services company offering solutions that enable businesses to communicate, sell products and protect their brands and trade marks on the Internet. The Group provides Internet domain name registration, e-mail, website hosting and electronic commerce services that enable business to be undertaken on-line. In addition, the Group provides Internet brand and trade mark protection services to monitor the use and abuse of customers' brands and trade marks on-line.

Currently, the Group has over 45,000 active hosted or managed domains, of which approximately 20,000 have been registered or assumed under management since 31 October 1999. In the 12 months ended 29 February 2000, Virtual Internet provided brand and trade mark protection services to over 240 customers.

The Virtual Internet business was established in London in 1996 and has grown rapidly with further offices in Beauvais and Paris in France, Milan in Italy, New York in the US and Sydney in Australia, the majority of which were opened in the last half of 1999.

Whilst the majority of the Group's customers are small to medium sized enterprises, Virtual Internet has also provided services to larger corporate clients, over half of the FTSE 100 companies and other well known companies including Abbey National plc, BMW Group AG, Glaxo Wellcome plc, LucasVarity plc, Marks & Spencer p.l.c and Rolls-Royce plc. In addition the Group has provided services to other Internet companies including QXL.com plc and Last Minute Networks Limited ("lastminute.com"). The Group has established a number of strategic relationships with a range of companies for example AOL France, CompuServe France, Cobalt Networks, Groupe Credit Mutuel, Level (3) Communications and Microsoft Networks.

Since June 1999, hosting surveys published in Internet Magazine indicate that Virtual Internet has consistently been one of the UK's fastest performing hosting companies, in terms of speed of transmission of data from the hosting server, and the Directors believe that the Group is at the forefront of Internet brand and trade mark protection.

#### History

Virtual Internet's original business was established in 1996 by Jason Drummond, initially as a domain name registration company for corporate clients. The main function of a domain name registration company is to register names which represent unique Internet addresses and to allow such names to be propagated across the Internet. Subsequently, the Company expanded its product offering and is now involved directly in three main service areas: retail domain-based services; wholesale domain-based services; and Internet brand and trade mark protection services.

Virtual Internet has expanded its service offering and geographical coverage by a combination of organic growth, acquisitions and formation of strategic relationships. In September 1997, Virtual Internet Limited took a 34 per cent stake in VIS, a French company that was newly established to act as a domain-based services provider. In April 1999, Virtual Internet exercised an option to acquire the remaining 66 per cent of VIS for a

consideration of \$500,000, which was satisfied by the issue of Ordinary Shares. At the same time, the founder of VIS, Douglas Teggin, joined the Virtual Internet management team. VIS now provides the full range of the Group's products and, according to AFNIC, the French Registration Authority, is one of the leading domain-based services companies in France. It also holds exclusive or preferred supplier contracts with AOL France and CompuServe France for domain name registration, e-commerce, web site hosting and e-mail services.

In January 1999, Virtual Internet Limited reversed into the Company (then named Charriol plc), which had been established to invest in information technology companies and was originally admitted to AIM in October 1998. At the same time, the Company raised approximately \$850,000 net of expenses by way of a placing and open offer at 100p per share, and changed its name to VirtualInternet.net plc.

In April 1999, the Company acquired Net Searchers International Limited ("Net Searchers") for a consideration of \$250,000 (\$50,000 of which was paid at completion and \$200,000 of which was satisfied by the allotment and issue of 129,870 ordinary shares) and the assumption of certain of Net Searchers' liabilities amounting to \$200,000. Net Searchers was established in 1996. It provides intellectual property owners and their advisers with monitoring services on the Internet such as domain name searching, registrations and watching, tracking of intellectual property infringers, domain name reclaiming, Internet anti-piracy campaigns and copyright monitoring. The founders of Net Searchers, Nicholas Wood and Lorna Gradden, joined the management team.

In the second half of 1999, the Group continued its international expansion from its existing operations in the UK and France. The Group now has offices in Beauvais and Paris in France, Milan in Italy, New York in the US and Sydney in Australia. This expansion was funded from the proceeds of a cash placing at 230p per ordinary share in August 1999, which raised \$1.17 million net of expenses. This geographic expansion is based on the Directors' belief that whilst the Internet is a global product, local markets are often best served by locally based sales and marketing offices. It is the Directors' intention to continue to expand the Group's operations by opening additional international offices, in conjunction with acquiring established companies that provide services similar to those provided by Virtual Internet.

Virtual Internet has also sought to expand its business by way of strategic relationships with a number of companies. Under such arrangements, the Group generally provides these companies with access to its on-line automated registration systems for domain registration, e-commerce, e-mail and web hosting solutions. Usually, these services are marketed under the Virtual Internet brand, but occasionally they are marketed under the other party's brand.

In August 1999, Virtual Internet announced that it had entered into a European co-location agreement with Level (3) Communications, the US company that is building one of the first international communications networks wholly using Internet protocol routing. Co-location enables the Group to connect its servers and those of its customers within Level (3) Communications' various network centres. This agreement will allow Virtual Internet to expand its co-location business using Level (3) Communications' network and data centre capacity. According to Level (3) Communications, when complete, its network will include local networks in over 70 cities worldwide with inter-city and transoceanic networks in and connecting with the US, Europe and Asia.

#### Products and services

The Group provides three principal products and services: retail domain-based services, marketed under the Virtual Internet brand name; wholesale domain-based services, marketed under a Virtual Internet brand or a customer's brand; and Internet brand and trade mark protection services, marketed under the Virtual Internet or Virtual Internet Net Searchers brand names.

Virtual Internet's product portfolio encompasses different ranges of products and services to accommodate the individual needs of its customers. The underlying sales and marketing strategy of the Group is to form

customer relationships which provide not only a level of repeat revenue for basic services (for example, domain name registration and renewal) but also the opportunity for cross-selling to provide more sophisticated domain-based services to that customer for which higher fees can be charged. It is these essential building blocks that Virtual Internet has chosen to focus on. Customers are able to select a combination of the Group's products and services which provide the functionality they require for their respective websites.

#### Retail domain-based services

The retail domain-based services which the Group provides, predominantly to small and medium sized enterprises, comprise: domain name registration; e-mail services; website hosting; e-commerce services; database hosting; managed application services ("ASP") and co-location.

#### Domain name registration

There are three types of domain names: "generic top-level domain" names (e.g. .com, .net and .org); "country code top-level domain" names (e.g. .uk or .it); and "second-level" domain names, which are typically predefined sub-domains (e.g. .org.uk) which are intended for a particular use at the country level and are administered by the relevant Registration Authority.

Top-level domain names are administered and country code domains are assigned by ICANN.

The role of Registration Authorities is to maintain and administer definitive databases detailing all registered names and who has licence to use individual names.

Virtual Internet charges a fee to register a retail domain-name typically for a two year period. The fee is payable in advance and includes the local registry fee for maintaining the name during that period. If the contract is not renewed at the end of the two year period, the customer loses the right to the domain name. As at 29 February 2000, the Group had over 45,000 active hosted or managed domains, of which approximately 20,000 have been registered or assumed under management since 31 October 1999.

#### e-mail services

The Group provides e-mail services which are independent of access provision, giving the customer its own e-mail address on the Internet (e.g. myname@mybusiness.co.uk). e-mails are either stored for retrieval or forwarded to a pre-defined location requested by the customer. Virtual Internet currently charges an annual fee for each e-mail address.

#### Website hosting

Website hosting is a service the Group provides to its customers which allows a customer to publish and maintain a website linked to its own domain name on a shared server.

The Group has three data centres situated in the UK, one in Australia, two in France and one in the US. Customers are charged for the website hosting service on the basis of a combination of storage, bandwidth and required applications. Typically, a fixed charge is payable in advance, for which customers obtain an agreed level of server space and data throughput. The Group is able to provide additional band-width and rack-space as and when required by customers.

#### e-commerce services

The Group provides the following e-commerce services:

- \* Payment gateways. Virtual Internet has negotiated and developed payment gateways or links with a number of banks to facilitate e-commerce payments.
- \* Weboto.com/VI merchant. Virtual Internet has developed two entry level e-commerce products which enable businesses to maintain a database of products that can be purchased on-line.
- \* Hosting support for a number of third party e-commerce applications.
- \* Applications with multiple currency and language capability.

#### Database hosting

Web designers are increasingly creating active websites, incorporating live information typically from databases. In response, the Group now offers Oracle and Microsoft SQL Server<sup>TM</sup> database services. Virtual Internet has also been operating as a member of the Oracle Partnership Programme.

#### Managed application services ("ASP")

The Group now offers a number of application services. These include graphic or image servers, such as "Flash Generator", environment applications such as "ColdFusion" and other tools which help web designers to enhance their websites.

The Group installs, manages and operates these servers and customers pay for access to and usage of these applications. In addition, Virtual Internet continues to evaluate opportunities to add additional application services to the Group's portfolio.

#### Dedicated servers/co-location

Certain customers have large sites or require specific applications and therefore require a dedicated server for their exclusive use. The Group provides the space, connectivity and support to the customer in running the server, and charges a fixed monthly fee which increases depending upon a customer's particular requirements. Typically, customers enter into a 12 month contract for such a service.

#### Wholesale domain-based services

Wholesale domain-based services are the provision of a solution to a customer who then retails it to its own, typically large, customer base. The Directors believe that the provision of these services leverages the Group's expertise, its scale of operations and reduces the cost of acquiring customers.

Currently, the Group's wholesale domain-based services fall into three areas:

- \* registry and domain services; \* hosting application services; and \* e-commerce services and solutions. Registry and domain services

The registration of generic top level domain names ("gTLD's") (.com, .net and .org) was, until recently, the administrative responsibility of the US company Network Solutions Inc. In February 1999, ICANN issued qualitative guidelines setting out the basis upon which it would allow agents to upgrade to registry status to allow them to administer the registration of gTLD names. This process has now been completed and, as at 31 January 2000, over 77 companies had been accredited as worldwide domain name registrars. Virtual Internet is one of these companies and the Group expects to trade as a gTLD registrar in April 2000. As a consequence, Virtual Internet in future will pay a significantly reduced fee for a two year registration period to ICANN and the ICANN approved registry compared to US\$70, payable to Network Solutions Inc., historically. The Directors believe that a number of benefits will accrue to Virtual Internet from its status as a gTLD registrar and believe that Virtual Internet's registry services will:

- \* provide improved margins, for both new and renewed registrations; \* give Virtual Internet competitive advantage in those countries where there are no or few accredited registrars; \* provide an additional opportunity to sell services such as web-hosting, e-mail or e-commerce solutions to its registry customers; and \* give the Group the ability to enter new geographical markets without necessarily requiring a physical presence in those markets thereby acting as a catalyst for the further acceleration of the Group's international growth. Hosting application services

Many companies want the ability to offer hosting and application services to their customers, but lack the required skills or infrastructure to deliver such services in-house. Virtual Internet can operate and manage this service. The Directors believe that this provides the Group with much broader access to customers than can be achieved directly and increases Virtual Internet's ability to expand the Group's operations.

#### e-commerce services and solutions

Virtual Internet has developed a set of e-commerce services, such as payment gateways, and e-commerce solutions, such as on-line store builders. An on-line store builder is a computer software application that enables businesses to sell their products or services on the Internet. There are companies with large customer bases who wish to offer e-commerce services to their customers. The Directors believe that the Group is able to provide these customers with e-commerce services and solutions which the customer can then resell to its own customers on more attractive terms than the customer would otherwise obtain by developing and operating the service themselves.

## Internet brand and trade mark protection services

Whilst the Internet has provided businesses with many new opportunities for the potential expansion of their business, there are a number of perceived drawbacks, particularly associated with the relative lack of regulation on the Internet. In particular, by its nature, the Internet provides the opportunity for the geographically widespread abuse of corporate brands or trade marks. In 1998, a survey carried out on behalf of MARQUES, the European association of trade mark owning companies, found that 85 per cent of responding organisations had experienced infringement of their intellectual property on-line, 78 per cent had suffered domain name infringement and 40 per cent had suffered copyright infringement on the Internet.

With the continuing growth of e-commerce, many companies are now focusing their marketing efforts to include an on-line presence. As a consequence they are becoming more aware of the value of their brand and trade marks on-line and are increasingly looking to protect them. Many major companies now seek to secure their names in many of the 220 jurisdictions for which ccTLDs exist. Increasingly, these companies require strategic advice and direct assistance in registering domain names and protecting brands and trade marks. The Group provides such a service.

The main protection issues arising in relation to brands and trade marks on the Internet include:

- \* the unauthorised use of names, logos or marks by third parties on websites who pass themselves off as the customer;
- \* the accuracy and fairness of views expressed by clients, competitors and industry commentators on the management, policies and products of the customer;
- \* the distribution and selling of counterfeit customer goods via discussion groups and, for example, across web auction sites;
- \* the infringement of copyright, eg. through the on-line distribution of music and video materials;
- \* speculative registration as domain names of variations of a customer's marks by individuals seeking to make profit solely from the ownership of that name; and
- \* the loss of a customer's registered domain names due to registration records not being properly maintained and failure to renew registration.

To meet these needs, the Group has established a range of integrated services in Internet naming and protection. The Group focuses on corporate naming and registration worldwide and specialises in the policing and monitoring the use of brands and trade marks on the Internet. The various services offered by the Group in these areas are:

- \* Global naming - Registering domain names globally. There are 220 jurisdictions in the world where a domain name can be registered and the Group has experience in the majority of these.

- \* Domain name searching, watching and management - Provision of various domain name services, including checks on ownership, monthly monitoring and renewals.

- \* Internet audits - An integrated service to identify where and how a customer, its brands and trade marks appear on the Internet.

- \* Brand patrol - Monitoring and reporting on the use of a customer's name, product, trade mark or logo on the web and in Internet discussion groups.

- \* Infringer tracking and anti-piracy campaigns - A specialist service to support customers in identifying infringements, those persons behind them and providing a platform for legal enforcement.

- \* Business and market intelligence - Provision of market surveys and specialist reports compiled from Internet information resources.

- \* Specialist services - Such as Net Searchers Music, offering searches for copyright infringement within the music industry and information regarding sales of bootleg copies of performances by British artists on the Internet.

The Group charges for package services at a flat rate and for bespoke products at an hourly rate.

The Group has provided brand and trade mark protection services to over half of the FTSE 100 companies and other well known companies, including:

Abbey National plc Cable and Wireless plc GlaxoWellcome plc  
AstraZeneca plc CBNC Rolls-Royce plc BMW Group AG Deutsche Bank AG Tesco

plc

In addition, Virtual Internet is retained by a number of law firms to assist those firms in developing commercial and trade mark protection strategies for their respective clients, including helping in the identification of trade mark infringers. Virtual Internet has provided services to 17 out of the top 20 UK law firms as ranked by number of fee earners and listed in the Legal 500 (1999 edition) and carries out work for law firms in the US. In addition, the Group is now developing its commercial relationships with continental European law firms.

#### Business development and prospects

The overall strategic objective of the Group is to become a global leader in its core services. In the next two to three years, the Directors will focus on developing the Group and intend to:

- \* become a dominant provider of retail and wholesale domain-based services in Europe by expanding its operations both organically, by scaling up its business through additional investment in people and systems, together with a substantial increase in marketing spend, and via the acquisition of additional businesses and product offerings;
- \* become a global leader of Internet brand and trade mark protection services;
- \* establish additional data centres in appropriate locations to support the expanding office network; and
- \* build upon the recent opening of its Sydney office, by expanding further into the Asia Pacific region.

In order to achieve these objectives, the Group will concentrate on identifying, acquiring and developing further sales and marketing offices, similar to those recently opened in Australia, Italy and the US. The Group also intends to acquire or establish new service operations, which will provide the technical support and service provision capabilities for the offices in the operating regions. Given the nature of the Group's target market, whilst the Directors are aware of numerous opportunities for expansion, principally via acquisition, no specific targets have currently been identified.

In tandem with the roll-out of the Group's sales and marketing operations, the Group will continue its investment in research and development to enhance the Group's product offering and support the Group's expansion strategy. The main focus of research and development expenditure will be in the following areas:

- \* hosted products, such as Weboto.com and managed application services ("ASP");
- \* wholesale systems and platforms to support the wholesale domain-based services business; and
- \* customer facing and internal systems that automate service creation and management functions to lower the Group's costs and further improve service quality.

Competition

Although consolidation amongst businesses providing domain-based services has already commenced, the Directors believe that the market for such services is still highly fragmented. The majority of the Group's competition for domain-based services is still nationally based, with few competitors operating on a multi-country or global basis. The Directors believe that in the United States, Network Solutions Inc. and Verio Inc. offer some of the Group's domain based products and services as does Netbenefit plc in the UK. The Directors believe that the growth of the Internet will continue to enable a large number of companies to operate within it, but that there will be a small number of increasingly well funded companies who are able to compete effectively on a multi-country or global level. Moreover, the Directors believe that due to the complexity of the brand and trade mark protection business there are currently few competitors who offer a comparable range of services for example Cyveillance Inc in the United States offers intellectual property but not domain based services. The Directors believe that the Placing will further strengthen the Group's position by providing funds to enable it to expand globally.

#### Financial information

A three year summary financial record of the Group is set out below.

Year ended	Year ended	16 month	31 October	31 October	period ended	1999
1998	31 October	1997	#	#	Turnover	2,071,218
					438,566	516,289
					Gross profit	1,349,518
					418,176	326,027
					Selling and distribution	(700, 693)
					(127,395)	(58,908)
					costs	Net operating loss before goodwill amortisation and

exceptional items (1,238,446) (86,156) (27,518) Goodwill amortisation (2,511,523) - - Employee Benefit Trust (635,500) - - charge -----  
-----

Operating loss (4,385,469) (86,156) (27,518) Net interest payable (43,097) (42,621) (9,261) ----- Loss on ordinary activities before taxation (4,428,566) (128,777) (36,779) Taxation - (35) - ----- Loss on ordinary activities (4,428,566) (128,812) (36,779) after taxation ===== Loss per share - basic and 21.44p 0.64p 0.18p diluted

The Group has increased its revenues through organic growth and acquisitions both in the United Kingdom and abroad.

The increased operating costs reflect the Group's investment in expanding its management and infrastructure in advance of proposed future growth.

#### Current trading and prospects

Currently, the Group has over 45,000 hosted or managed domains, of which approximately 20,000 have been registered or assumed under management since 31 October 1999. In the 12 months ended 29 February 2000, Virtual Internet provided brand and trade mark protection services to over 240 customers.

Current trading since the year end has been within the Directors expectations. The growth in the Group's established markets is continuing and the Directors believe that the prospects for the Group are encouraging. Over the coming months, management focus will continue to be applied to implementing the Group's strategy and as part of this strategy, the Board will continue to appraise suitable acquisition opportunities.

#### Dividend policy

The Directors' current intention is for the Company to retain its earnings in the foreseeable future to finance the Group's growth and expansion. Consequently, it is not envisaged that the Company will pay any dividends in the short to medium term.

#### Directors, senior management and employees

##### Directors

##### William Slee (59) - Non-executive Chairman

William Slee became Chairman of Virtual Internet in February 2000. He has over 30 years' experience in international investment banking, having most recently been a Group Managing Director of Schroders plc and Vice Chairman of J Henry Schroder & Co Ltd. He is currently Chairman of De Nationale Investeringsbank, a leading wholesale bank in the Netherlands; Vice Chairman of Singulus Technologies AG, a German company, quoted on the Neuermarkt, which manufactures machinery for the optical disc storage industry; non-executive director of Charles Vogele Holdings AG, a publicly quoted Swiss based European outdoorwear retailer; and a member of the Investment Committee of Algemeen Burgerlijk Pensioenfonds, one of the world's largest pension funds.

##### Jason Drummond (30) - Chief Executive Officer

Jason Drummond founded the original Virtual Internet business in 1996. He started Micromax his first venture, at the age of 15, distributing computer software through newsagents. At 18, he established IDL Communications Limited, a distributor of cellphones and fax machines. He spent approximately three years outside the UK, establishing and running distribution and new media companies in emerging markets such as Russia and Africa, and returned to the UK in 1995, prior to establishing Virtual Internet Limited.

##### Thomas Turcan (38) - Chief Operating Officer

Tom Turcan joined Virtual Internet in November 1999. Prior to this he was Business Development Director at News International plc, where he played a central role in a series of investment initiatives in magazines, newspapers, radio, telemarketing and new media in the UK and Continental Europe. After completing an MBA from London Business School in 1991, Tom worked for a year as a Strategy Associate for Gemini Consulting, and then spent four years as a key member of the corporate development team at Capital Radio plc. His career began in 1982 as a systems consultant and project manager for Logica plc, specialising in television and real-time communication systems. He holds a first class honours degree in



Computational Science from St Andrews University.

Jonathan Hamilton Wales (44) - Chief Financial Officer

Jonathan Wales joined Virtual Internet in February 2000. He was a senior partner at Wise and Co., a firm of Chartered Accountants based in Surrey. In addition to being responsible for a range of clients within the practice, he has led the corporate finance department handling a range of corporate acquisitions, disposals and management buyouts. Jonathan first worked in the Internet industry in 1997 when he became the Partner responsible for the affairs of Virtual Internet Limited, and was involved in a range of acquisition work on that company's behalf. Jonathan is a fellow of the Institute of Chartered Accountants in England and Wales.

Frederick Mostert (40) - Non-executive Director

Frederick Mostert joined Virtual Internet in February 2000. He is a widely published international expert in trademarks and intellectual property and currently serves on the Industry Advisory Commission of the World Intellectual Property Organisation in Geneva. He is the Intellectual Property Counsel and executive director of Richemont SA which includes Cartier, Montblanc, Alfred Dunhill and Van Cleef & Arples. He is Honorary Chairman of the International Trademark Association.

It is the Directors' intention to recruit an additional, appropriately qualified, non-executive director in due course.

Senior management

Giovan Grillo (28) - General Manager, Virtual Internet Italy

Giovan Grillo joined Virtual Internet in May 1999 to set up Virtual Internet Italy. Prior to this, he set up an Italian ISP based in London, specialising in domain name registration and web hosting services. He researched Twentieth Century International Trade Relations at the University of Venice, University College London and UCLA.

Richard Smith (32) - General Manager, Virtual Internet Australia

Richard Smith joined Virtual Internet in September 1999. Prior to this, he was head of Strategic Marketing at AOL Bertelsmann Online Europe. Richard has worked in companies delivering Internet technologies starting at The Instruction Set, in 1989 and then onto Oracle, Microsoft, and Unipalm PIPEX, where he was Head of Marketing Services. He holds a BSc(Hons), post graduate diploma in marketing and is a member of the Chartered Institute of Marketing.

Douglas Teggin (33) - Director General, Virtual Internet France

Douglas Teggin has worked within the Internet and IT fields in France since 1994. He founded Virtual Internet France in partnership with Virtual Internet in 1997. Prior to arriving in France in 1993, he studied computer science and worked in the IT industry in South Africa.

Nicholas Wood (41) - Managing Director, Virtual Internet Net Searchers

Nicholas Wood joined Virtual Internet upon the acquisition of Net Searchers in April 1999. Prior to this he worked in freelance consultancy, corporate investigations and marketing management for 18 years. He is an Associate Member of the Institute of Trade Mark Attorneys and serves on committees for MARQUES, the Association of European Trade Mark Owners, INTA, the International Trade Mark Association as well as the Editorial Board of Trade Mark World magazine. He is co-author of "Domain Names: Global Law and Practice" to be published by Sweet & Maxwell in May 2000. He holds a B.A. (Hons) degree from London University and an MA from The City University.

Employees

The average number of persons employed by the Group for the three accounting periods ended 31 October 1999 was as follows:

Year ended	Year ended	Period ended	31 October 1997	1998	No.	No.	No.	Directors	2	1	1	Sales	11	3	5	Service fulfilment	7	1	1	Technical	7	2	1	Finance	4	2	2	Management and office administration	5	1	1	Marketing and business development	3	1	1	---	---	---
39	11	12	===	===	===																																	

Reasons for Admission to the Official List and the Placing, and use of proceeds

The Directors believe that admission to the Official List will promote further awareness of Virtual Internet's name and its brands, both in the UK and overseas and provide the Company with greater access to additional

sources of capital. The Directors believe that this increased awareness, together with the proceeds from the Placing of the new ordinary shares, will strengthen the Group's ability to attract new clients and compete for acquisition opportunities.

Since January 1999, when Virtual Internet reversed into Charriol plc, the Group has expanded rapidly. In April 1999, the Company acquired Net Searchers and the remaining 66 per cent of VIS. The Group has continued its international expansion, opening offices in Milan, New York, Paris and Sydney. In addition, it has entered into strategic relationships with a number of companies, including AOL France, Level (3) Communications and Microsoft Networks.

The overall strategic objective of the Group is to be a global leader in its core services; being retail and wholesale domain-based services and Internet brand and trade mark protection services. In order to achieve this, the Group intends to concentrate on expanding its network of sales and marketing offices. Virtual Internet also intends to acquire or establish new service operations, which will provide technical support and service provision capabilities for the Group's offices in different operating regions.

The Group intends to raise approximately \$27million, gross, from the Placing of new ordinary shares, which initially will be used to strengthen the Group's balance sheet and help finance future expansion of the business in line with the Group's strategy and objectives.

The Directors intend to use the proceeds of the Placing in developing the Group's existing business and for acquisitions. Within the existing business, the Directors intend to spend approximately:

- \* \$3.0m on the Group's infrastructure, including new web site hosting equipment;
- \* \$1.5m to fund the costs of additional administration, sales and technical staff;
- \* \$3.5m on advertising and marketing costs, principally within wholesale domain-based services and directly maintained at the corporate market; and
- \* \$2.0m on general corporate expenditure, including supporting the establishment of the Group's existing overseas operations.

The remaining funds raised in the Placing will be used for acquisition opportunities. It is expected that these funds will be used principally in identifying, acquiring and developing new businesses in the Group's target markets of Europe, the Asia Pacific region and the US.

The allocations and uses of the proceeds described above may change substantially from the Group's current strategic plans, if market conditions, the competitive environment or the regulatory environment were to change, or if there are new technological innovations, or if other unforeseen or unpredicted events were to transpire.

The Directors will continue to evaluate opportunities to expand the Group by way of acquisition and strategic investment. In the event that such transactions occur, Virtual Internet will utilise its cash, bank facilities and/or its equity as consideration.

#### The Placing

It is expected that the exact number of new ordinary shares to be issued on behalf of the Company, the number of shares to be sold by existing shareholders and the price at which the ordinary shares will be sold will be determined following the closure of the bookbuilding exercise.

Application will be made for both the existing and new ordinary shares to be admitted to the Official List of the London Stock Exchange. Hoare Govett Limited is sole book runner of the Placing.

If you wish to participate in the Bookbuilding process you should communicate your bid by telephone to your usual sales contact at ABN AMRO Equities (UK) Limited. If successful, your allocation will be confirmed to you following the close of the bookbuilding process and a placing letter will be dispatched to you as soon as possible thereafter.

The bookbuilding process will close no later than 4:30pm on 20 March 2000 but may be closed earlier at the sole discretion of Hoare Govett Limited. Hoare Govett Limited may at its sole discretion choose to accept bids after the bookbuilding process has closed. Successful bidders in the bookbuilding process will be determined in the absolute discretion of Hoare Govett Limited. Hoare Govett Limited anticipates making a further announcement following the close of the bookbuilding process disclosing the

price at which the ordinary shares are being placed and the number of ordinary shares comprised in the Placing.

The only persons permitted to enter bids in the bookbuilding process are those persons who are able to warrant to Hoare Govett Limited and the Company that they are a person who falls within Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exceptions) Order 1996 or Article 8(1) of the Financial Services Act 1986 (Investment Advertisements) (Exceptions) (No.2) Order 1995.

This announcement does not constitute or form part of any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for any securities in any jurisdiction, nor shall it (or any part of it) form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to the Placing. Any person who intends to purchase or subscribe for ordinary shares in the Company in the Placing will only make such purchase or subscription on the basis of the information contained in the Circular in its final form.

This document has been issued by and is the sole responsibility of Virtual Internet and has been approved solely for the purpose of Section 57 of the Financial Services Act 1986 by Hoare Govett Limited, which is regulated in the UK by The Securities and Future Authority Limited. Hoare Govett Limited is acting as financial adviser to Virtual Internet and no one else in connection with the Placing and will not be responsible to any other person for providing the protections afforded to customers of Hoare Govett Limited or for providing advice in relation to the Placing. Enquiries:

VirtualInternet.net plc Monday, 13 March Tel 0207 929 5599 Jason Drummond - Chief Executive Thereafter: Tel 0207 460 4060

Hoare Govett Limited Tel 0207 678 8000 Mark Ashurst, Director - Corporate Advisory Silvio Tavares, Director - Corporate Broking  
Holborn Public Relations Tel 0207 929 5599 David Bick John Bick

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REGIONS: Asia; Far East; Pacific Rim; Australasia; Americas; North America; Europe; European Union; Western Europe

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